Interim Report
1 May–31 December 2017

Board of Directors, 12 February 2018

VAPO OY INTERIM REPORT 1 MAY–31 DECEMBER 2017

The second third of the year in brief:

September–December 2017:

- Group turnover in September–December 2017 was EUR 132.6 million (EUR 130.5 million in September–December 2016).
- The operating margin (EBITDA) was EUR 19.5 million (EUR 18.5 million), or 14.7% (14.2%) of turnover.
- The operating profit (EBIT) was EUR 9.4 million (EUR 8.5 million), or 7.1% (6.5%) of turnover, including EUR 2 million (EUR 0.4 million) of non-recurring income.
- Earnings/share were EUR 234 million (EUR 155 million).
- Free cash flow before taxes was EUR 11.4 million (EUR -1.5 million).
- Gross investments totalled EUR 11.3 million (EUR 13.9 million).

May–December 2017:

- Group turnover in May–December 2017 was EUR 227.9 million (EUR 218.4 million in May–December 2016).
- The operating margin (EBITDA) was EUR 24.3 million (EUR 24.3 million), or 10.7% (11.1%) of turnover.
- The operating profit (EBIT) was EUR -0.6 million (EUR -0.5 million), or -0.2% (-0.2%) of turnover. The operating profit includes one-off income in the amount of EUR 2.5 million (EUR 1.4 million).
- Earnings per share EUR -93 (-215)
- The pre-tax return on invested capital (pre-tax ROIC) was 3.1% (2.6%).
- Free cash flow before taxes was EUR 13.1 million (EUR 16.1 million).
- Gross investments were EUR 21.8 million (EUR 26.2 million).
- The equity ratio on 31 December 2017 was 47.5% (42.7%).
- Interest-bearing net debt on 31 December 2017 was EUR 266.2 million (EUR 316.8 million).
- The ratio of interest-bearing net debt to operating margin (net debt/EBITDA) on 31 December 2017 was
  4.7 (7.0)
- 5.3 TWh of energy peat was delivered (5.3 TWh).

CEO Vesa Tempakka: We have made up for much of the losses incurred from the poor peat production summer.

The Group's turnover in the second third of the financial year (September–December 2017) was EUR 132.6 million (EUR 130.5 million). Consolidated operating profit was EUR 9.4 million (EUR 8.5 million) for the second third of the financial year. Free cash flow in the period under review amounted to EUR 11.4 million (EUR -1.5 million). The strong cash flow was affected by the conscious reduction of pellet and wood chip stocks, along with the smaller than anticipated stock of energy peat as a result of the poor peat production summer.

The Group's cumulative turnover in May–December 2017 was EUR 227.9 million (EUR 218.4 million). The growth in turnover was particularly due to an increased demand for heat and wood fuels, along with the growth of the Kekkilä Group's professional growing business. The turnover in the comparison period includes EUR 2.6 million from Kekkilä's operations in Norway that was sold during previous financial year. The cumulative operating result was EUR -0.6 million (EUR -0.5 million). The result was weakened by the lower than planned production volume of peat, with a cost impact of EUR 8.4 million (EUR 5.0 million).

"I'm pleased with the progress we've made in reducing our balance sheet and debt thanks to strong cash flow and financing arrangements. The cold May was unfavourable for the Kekkilä Group and the mildness of the winter so far has not boosted demand for heating and fuel. Regardless of these circumstances, we have been able to improve operations in various areas and are already ahead of last year, with our usually strongest third still to come. In particular, I would like to highlight the improvement of the profitability of Vapo Oy's pellets and wood fuels, the Kekkilä Group and our subsidiaries in Sweden and Estonia", says CEO Tempakka.

According to Tempakka, the sales of Vapo Oy's surplus land assets, begun in late 2017, have started well. The sales offers have attracted a lot of interest, and deals have been finalized to the sum of approximately three million euros so far. The single most significant transaction was for a 1,200 hectare package of Vapo Oy's land in different parts of Finland, sold to the State of Finland for conservation purposes. The winter is not typically a good time to sell land. The sales are expected to pick up in the spring and our sales targets to be achieved in the next few years.

The company has reviewed its energy strategy in the fall and will start planning its operations on the basis of three business areas: Energy, Growing Media and New Business. The aim is to built a management and organisational structure corresponding to these three business areas by the end of the current financial year.

Developments by business segment

The reporting segments are comprised of the Group companies in accordance with Vapo's management model. However, the Vapo Oy segment also reports the results of smaller subsidiaries that serve the energy business, as their operations are managed by Vapo Oy. These subsidiaries include Salon Energiantuotanto Oy, Piipsan Turve Oy, Suo Oy and Hanhisuon Turve Oy.

The on-going renewal process of Vapo Group's strategy will change the Group's management model in the future. The new management model will be introduced and have an impact on segment reporting at the start of the next financial year, on 1 May 2018.

Vapo Oy

Vapo Oy provides local fuels, heating solutions and environmental peat products to businesses, municipalities and consumers. Fuels account for approximately 70 percent of the company's external turnover, heating solutions approximately 25 percent, and environmental peat approximately five percent. The company's newest commercial businesses are Vapo Fibers and Vapo Carbons. Vapo Fibers is focused on utilising peat fibre on an industrial scale for entirely new purposes. Vapo Carbons aims to enter the growing international market for technical carbons, a product that uses peat as raw material.

The most significant event during the period under review was the commissioning of the Heat and Power business area's new growth investments, which increased heat sales from the comparison period. On the other hand, the demand for fuel fell slightly short of that in the comparison period.

Turnover in the second third of the financial year (September–December 2017) was EUR 90 million (EUR 90.3 million in September–December 2016). The operating profit for the reporting period was EUR 8.1 million (EUR 9.2 million). The operating profit includes one-off income of EUR 1.1 million (EUR 1.1 million), of which EUR 0.9 million was obtained from the Padasjoki indemnity. Gross investments in September–December 2017 amounted to EUR 9.2 million (EUR 11.3 million).

The turnover and operating result of the Heat and Power business area developed favourably during the reporting period. The commissioning of the new heat and steam plants for Valio in Jyväskylä and Patria in Halli, Jämsä increased turnover and results from the comparison period. The district heating business was expanded to Luoto municipality, and the expansion of the heating business continued. In the reporting period, Vapo won contracts such as a heating contract for the depot in Haapavesi.

The profitability of the Fuels business was diminished by poorer than expected peat production. The volume of peat sales fell by six per cent from the comparison period due to a significant increase in the use of wood and plant breakdowns among our customers. The peat extraction volume for the summer 2017 production season was significantly below target and fell short of the heating season's order backlog for the third consecutive summer. For this financial year, stockpiles accumulated in previous years will still secure the deliveries of fuel peat, agricultural peat, environmental peat and litter peat to customers regardless of the poor production season. The profitability of forest fuel and pellets improved from the comparison period thanks to improved procedures and more efficient control of logistics.

The company's turnover in May–December 2017 was EUR 140.6 million (EUR 132.5 million) and operating profit EUR -2.5 million (EUR 1.3 million). The operating profit includes EUR 8.4 million (EUR 5 million) in costs recognised through profit and loss, incurred due to the low volume of peat production in the summer, along with EUR 1.6 million (EUR 2.0 million) in one-off income. Investments in May–December amounted to EUR 16.3 million (EUR 20.1 million).

Vapo Oy	9-12/2017	9-12/2016	Change	5-12/2017	5-12/2016	Change	5/2016-4/2017
Turnover (EUR million)	90,0	90,3	-0,3 %	140,6	132,5	6,1 %	247,4
Operating profit (EUR million)	8,1	9,2	-12,0 %	-2,5	1,3	-292,3 %	13,2
Investments (EUR million)	9,2	11,3	-18,6 %	16,3	20,1	-18,9 %	30,9
Number of employees	384	378	1,6 %	403	403	0,0 %	383
Peat production (million m^3)				7,1	7,4	-4,1 %	7,4
Fuel sales (GWh)	4 206	4 345	-3,2 %	6 321	6 217	1,7 %	11 832
Heat and steam sales (GWh)	452	433	4,4 %	670	610	9,8 %	1 163

Neova AB

Neova AB is a Swedish subsidiary of Vapo Oy. It provides district heating to its customers and customised heating solutions for industrial customers. The company also produces peat products and supplies them to its energy customers, users of agricultural peat products and other industrial peat refiners. Its annual turnover is evenly divided between heating solutions and peat productions.

The company's turnover and profitability in the period under review were improved by the increased demand for peat products and profits from the sale of assets. The operating result of affiliated company Scandbio AB also improved significantly from the comparison period.

Turnover in the second third of the financial year (September–December 2017) was EUR 16.9 million (EUR 15.3 million in September–December 2016). The operating result for the period was EUR 1.9 million (EUR 1.1 million). The operating result in the period under review includes a sales profit of EUR 1.1 million from the sale of assets. Gross investments in September–December 2017 amounted to EUR 1.8 million (EUR 1.3 million).

Turnover for May–December 2017 was EUR 25.9 million (EUR 23.6 million) and the operating result was EUR 0.3 million (EUR -1 million). The operating result includes one-off income of EUR 1 million (EUR 0.2 million). Investments in May–December amounted to EUR 2.9 million (EUR 2.3 million).

Neova AB	9-12/2017	9-12/2016	Change	5-12/2017	5-12/2016	Change	5/2016-4/2017
Turnover (EUR million)	16,9	15,3	10,5 %	25,9	23,6	9,7 %	43,3
Operating profit (EUR million)	1,9	1,1	72,7 %	0,3	-1,0	130,0 %	0,9
Share of affiliate's result (EUR million)	1,6	1,0	60,0 %	0,3	-0,9	133,3 %	0,6
Investments (EUR million)	1,8	1,3	38,5 %	2,9	2,3	26,1 %	3,2
Number of employees	88,0	86	2,3 %	88	87	1,1 %	86
Peat production (million m³)				1,2	1,3	-5,6 %	1,3
Fuel sales (GWh)	341	334	2,0 %	404	385	5,1 %	778
Heat and steam sales (GWh)	134	146	-8,2 %	230	250	-8,0 %	448

AS Tootsi Turvas

AS Tootsi Turvas is Vapo Oy's Estonian subsidiary. Its primary business is the sale of agricultural peat products, energy peat products and wood fuels, as well as the production and sale of heating. Agricultural peat accounts for 45 percent of the subsidiary's annual turnover, while wood fuels account for 30 percent, energy peat 15 percent and heating 10 percent.

In the period under review, the increased demand for energy peat and lower logistics costs for peat improved profitability.

Turnover in the second third of the financial year (September–December 2017) was EUR 5.6 million (EUR 5.5 million in September–December 2016). The operating profit for the period was EUR 0.8 million (EUR 0.3 million). The particularly rainy autumn caused a shortage of wood fuels everywhere in Estonia, as the road network could not bear the weight of harvesting equipment. This also had an impact on the company's costs and wood fuel sales. Certain major operators were able to replace wood fuels with energy peat, however. Gross investments in September–December 2017 amounted to EUR 0.2 million (EUR 0.3 million).

Turnover in May–December 2017 was EUR 10 million (EUR 8.5 million) and the operating profit was EUR 1.3 million (EUR 0.4 million). Investments in May–December amounted to EUR 0.7 million (EUR 1.9 million).

AS Tootsi Turvas	9-12/2017	9-12/2016	Change	5-12/2017	5-12/2016	Change	5/2016-4/2017
Turnover (EUR million)	5,6	5,5	1,8 %	10,0	8,5	17,6 %	16,0
Operating profit (EUR million)	0,8	0,3	166,7 %	1,3	0,4	225,0 %	1,3
Investments (EUR million)	0,2	0,3	-33,3 %	0,7	1,9	-63,2 %	3,3
Number of employees	32	33	-3,0 %	32	33	-3,0 %	33
Peat production (million m³)				0,7	0,4	75,0 %	0,4
Fuel sales (GWh)	262	210	24,9 %	411	309	33,0 %	581
Heat and steam sales (GWh)	11	12	-7,3 %	14	13,4	3,0 %	30

Kekkilä Group

Kekkilä Group develops and produces high-end garden soils, plant fertilisers and mulches as well as home garden and yard construction products and supplies them to amateur and professional growers and landscapers.

Turnover in the second third of the financial year (September–December 2017) was EUR 22.4 million (EUR 20.7 million in September–December 2016). The growth of turnover was driven by the robust demand for professional growing products and the growth of the consumer sales of gardening products in Sweden. Landscaping also increased its sales in Finland and Sweden. The operating result was EUR -1.7 million (EUR -3 million). Kekkilä Group's gross investments were EUR 1.6 million (EUR 1.0 million).

Kekkilä Group's turnover in May–December 2017 amounted to EUR 58.1 million (EUR 56.1 million). Turnover improved across all the main business areas. Operating profit amounted to EUR 1.5 million (EUR -0.5 million). The result includes a one-off expense of EUR -0.1 million (EUR -0.3 million). Kekkilä Group's gross investments were EUR 2.1 million (EUR 1.8 million).

Kekkilä Group	9-12/2017	9-12/2016	Change	5-12/2017	5-12/2016	Change	5/2016-4/2017
Turnover (EUR million)	22,4	20,7	8,2 %	58,4	56,1	4,1 %	89,5
Operating profit (EUR million)	-1,7	-3	43,3 %	1,5	-0,5	400,0 %	-1,1
Investments (EUR million)	1,6	1,0	60,0 %	2,1	1,8	16,7 %	2,2
Number of employees	236	257	-8,2 %	245	265	-7,5 %	261
Peat production (million m^3)				1,4	1,4	-2,5 %	1,4

Other activities

The Others segment includes Vapo Clean Waters Oy and the Danish subsidiary Vapo A/S. It also includes Forest BtL, the operations of which were discontinued in 2014.

Vapo Clean Waters Oy has consolidated its market position in drainage water design and expert projects in Finland. New ground was also broken in industrial and community water treatment during the period under review. The greater part of turnover is still obtained from numerous water conservation projects in the forestry sector.

The Others segment's effect on the operating result was EUR -0.3 million (EUR -0.3 million) in September–December and EUR -0.5 million (EUR -0.6 million) in May–December.

Other	9-12/2017	9-12/2016	Change	5-12/2017	5-12/2016	Change	5/2016-4/2017
Turnover (EUR million)	0,2	0,1	100,0 %	0,3	0,2	50,0 %	0,3
Operating profit (EUR million)	-0,3	-0,3	0,0 %	-0,5	-0,6	16,7 %	-0,8
Number of employees	9	11	-18,2 %	9	11	-18,2 %	10

Cash flow, investments and financing

Free cash flow before taxes in May–December 2017 amounted to EUR 13.1 million (EUR 16.1 million). The operating margin (EBITDA) was EUR 24.3 million (EUR 24.3 million). The lightening of stockpiles reduced working capital, which improved cash flow by EUR 7.6 million (EUR -9.4 million).

Gross investments in May–December 2017 amounted to EUR 21.8 million (EUR 26.2 million). The ratio of investments to depreciation was 0.9 (1.1). Of the total investments, 45 per cent were directed to the growth of the Heat and Power business as well as use and maintenance investments in that business. Investments in the preparation of peat production areas accounted for 32 per cent of the total. Development investments in new business areas amounted to nine per cent of overall investment. Net investments totalled EUR 18.8 million (EUR 1.3 million) in the reporting period.

In September, Vapo paid dividends to shareholders totalling EUR 4 million (EUR 12 million) Interest-bearing net debt at the end of the reporting period stood at EUR 266.2 million (EUR 316.8 million). Interest-bearing net debt includes a EUR 5.0 million capital loan in one of Vapo Oy's subsidiaries. The ratio of interest-bearing net debt to operating margin over the previous 12 months (net debt/EBITDA) on 31 December 2017 was 4.7 (7.0). Short-term interest-bearing debt was EUR 60 million (EUR 102.4 million). Of the Group's long-term interest-bearing debt, 42.4 per cent is covered by a covenant related to the company's equity ratio. The terms of the covenant were met at the end of the review period. The equity ratio at the end of December was 47.5 percent (42.7%) and the gearing ratio was 80.9 per cent (96.8%). The consolidated balance sheet total was EUR 723.4 million (EUR 799.5 million). The Group's net financing items were EUR -3.7 million (EUR -6.6 million). Net financing items equalled -1.6 per cent (-3.0) of turnover.

General Meetings

Vapo Oy's Annual General Meeting was held in Helsinki on 9 October 2017. The AGM adopted the financial statements and consolidated financial statements for the financial year 1 May 2016–30 April 2017 and discharged the members of the Supervisory Board and the Board of Directors, as well as the CEO, from liability. The AGM resolved to distribute a dividend for the financial period ended 30 April 2017 amounting to EUR 133.33 per share, or EUR 4.0 million in total. The dividend payment date was 9 October 2017.

The AGM confirmed the number of members of the Supervisory Board as eight. Johanna Ojala-Niemelä was elected Chairman, with Heikki Miilumäki as Vice Chairman. Markku Eestilä, Hanna Halmeenpää, Reijo Hongisto, Hannu Hoskonen, Eero Kubin, Esko Kurvinen, Tommi Lunttila and Tiina Snicker were re-elected as members.

The AGM confirmed the number of members of the Board of Directors as eight. Jan Lång continues as Chairman, with Markus Tykkyläinen elected Vice Chairman. Tuomas Hyyryläinen, Pirita Mikkanen, Minna Pajumaa and Minna Smedsten continue as ordinary members of the Board of Directors. Juhani Järvelä and Risto Kantola were elected to the Board of Directors as new members.

The audit firm KPMG Oy Ab was elected as the company's auditor, with Ari Eskelinen, APA, as the chief auditor.

Vapo Oy's Board of Directors elected Jan Lång (Chairman), Tuomas Hyyryläinen, Juhani Järvelä and Minna Pajumaa to the Personnel Committee from among its members. Minna Smedsten (Chairman), Risto Kantola, Pirita Mikkanen and Markus Tykkyläinen were elected to the Audit Committee.

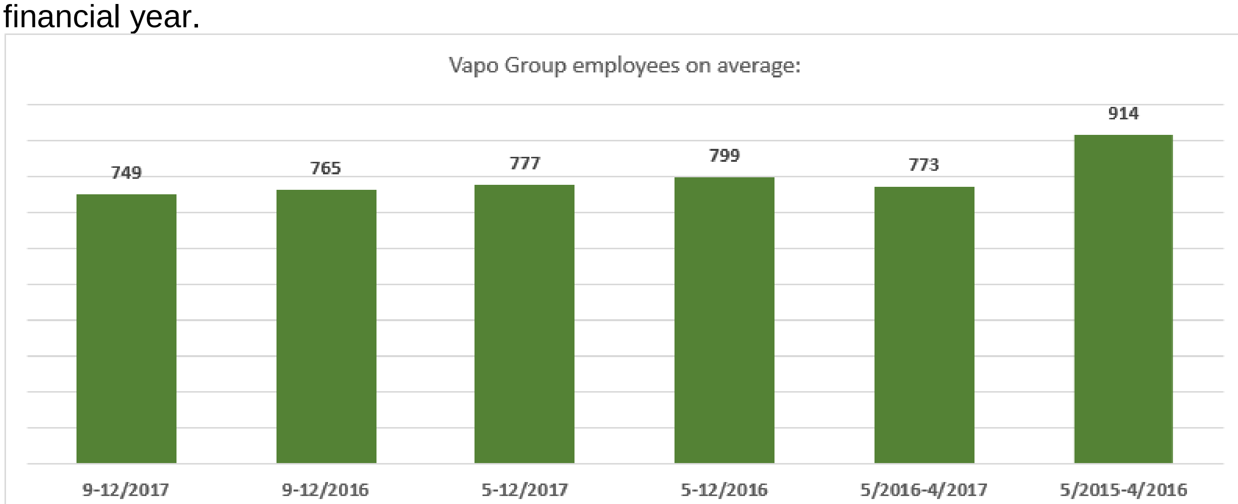
Natural seasonal fluctuation in activities

The Group's energy business is cyclical due to seasonal variation in the demand for heating. The second third of the year marked the beginning of the heating season, and the temperature in the coming winter months will have a significant impact on the result of the financial year.

During the second third of the year, Kekkilä Group focused on the sales, marketing and production of gardening products for the upcoming sales season in spring 2017. The timing of the spring season has a major impact on the result of Kekkilä Group's financial year.

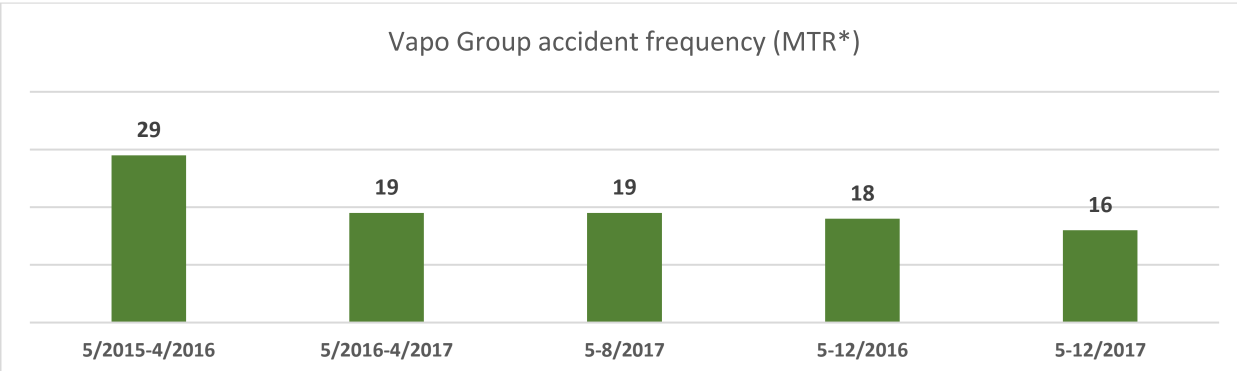
Number of employees

The Group employed an average of 749 (765) persons in the second third of the financial year.



As specified by the year clock, the codetermination committees of Vapo Oy and Kekkilä Oy each met once during the reporting period.

The Group's investments in improving the organisation's safety culture are already being reflected in a reduced number of accidents and lower accident frequency as well as an increase in safety observations and related improvement measures throughout Vapo Group. There were 14 accidents in the Group as a whole in May–December, only 2 of which resulted in an absence of one day.



*) Accident frequency = number of accidents requiring a visit to occupational health services/million working hours

Jyrki Vainionpää, deputy CEO of Vapo Oy, resigned his post at the end of October. The duties of the deputy CEO have been divided between the Business Director of Heat and Power and the managers of customer region Finland. Vapo Oy's Chief Financial Officer Suvi Kupiainen has resigned and will leave the company at the end of February. Antti Koivula, M.Sc. (Econ.), has been appointed as acting CFO effective from 15 January 2018.

Near-term risks to businesses

Regulatory changes pertaining to the energy sector constitute a significant risk to Vapo's energy business.

The LCP-Bref document for large combustion plants (over 50 MW), approved by the EU in the spring of 2017, significantly reduces the emission limits for the plants. Finland did not achieve its targets in the six-year amendment process, which is why biomass plants that burn wood and peat suffered proportionally much higher reductions than coal plants. In the estimate of Pöyry, compliance with the new emission limits will require EUR 430 million in investments into energy plants and forestry mills. The annual maintenance costs of the facilities will increase as well. In some cases, plants may be able to cut their emissions by replacing peat with wood fuels. Compliance with the new emission limits specified in the BAT conclusions will become mandatory on 17 August 2021.

In tripartite negotiations held on 14 December 2017, the European Parliament, European Commission and Council of the European Union agreed on the LULUCF emission calculations. The result will probably allow Finland to achieve its objective of increasing logging by 10 million solid cubic metres and maintain the energy and climate strategy target of increasing the share of renewable and domestic energy to 55 per cent by 2030. The final LULUCF calculation rules will only be known after 2018–2019.

On 17 January 2018, the European Parliament decided on sustainability criteria for energy in line with Finland's negotiation targets. Even though the tripartite negotiations have not been held yet, it is highly likely that felled and lopped timber (round timber) can be used in wood chip production in the future as well. This was a significant decision with regard to Vapo, since a major part of the company's wood chip raw materials consist of round timber.

On 17 January 2018, the European Parliament also decided to pursue a binding share of 35 per cent for renewable energy by 2030, whereas the target of the Member States and Commission is 27 per cent. The final target for renewable energy is not yet known, but it is clear that demand for biomass raw materials will grow in the production of electricity, heat and liquid transport fuels alike. This can have an impact on the demand for energy peat, which could increasingly be replaced by wood fuels. However, appreciation of the role of domestic energy peat in safeguarding the security of fuel supply could also increase.

As a result of the new sustainability criteria, the use of peat as a drying fuel in Vapo's wood pellet production will probably have to be abandoned after a three-year period of transition from the entry into force of the sustainability criteria. The sustainability criteria will probably also limit the use of wood pellets in the production of condensing power for new plants in contrast to current practice, which has permitted the use of wood pellets as mixed fuel with coal. Importing pellets for the production of condensing power is very common in Central Europe. The final truth of the matter will be known after the tripartite negotiations that will be held in early 2018.

Finnish Forest Industries has called for the discontinuation of the electricity production subsidy for wood chips. If this were to happen, it could lead to higher taxes on energy peat and imported fossil fuels to maintain the competitiveness of wood-based energy and allow Finland to achieve its CO_2 emission reduction target. The consequences of this would include a substantial decline in the competitiveness of combined heat and power production, lower demand for fuels and a significant change in energy peat's position in the fuel market. Vapo's position is that the wood chip subsidies and "see-saw model" between wood chips and energy peat should be preserved. If the wood chip subsidies were to be discontinued, it could lead to a situation in which fibre wood suitable for processing could be directed to energy production without limitations.

In September 2017, the Government instituted a parliamentary corporate subsidy committee to draw up a roadmap for the renewal of corporate subsidies. The wood chip subsidies and energy tax on peat are among the subsidies being reviewed by the committee. The committee aims to publish a final report at the end of February 2018.

EU policies in connection with Finland's energy policies have a major impact on the energy industry's operations. They could reduce the demand for Vapo's traditional products and require the company to adapt to the development of the industry by creating new comprehensive solutions and products as well as investing in the development of new businesses outside the energy sector.

In summer 2017, peat production was in line with the plans in Sweden and Estonia, but the production volume fell short of the target in Finland. Falling short of the target increases the unit costs of peat production allocated to the financial year due to the quantity of stored peat being lower than expected. However, the successful stockpiling of peat produced in previous production seasons means that the lower peat production will not affect the supply of products by Vapo and Kekkilä in the current delivery season. Unfavourable production conditions resulting from potential bad weather next summer constitute a higher risk to the supply of peat products than in the past.

If the coming winter is substantially warmer than average, the sales of Vapo's fuels and heating may be lower than expected, leading to a decline in profitability. The sustained low market price of electricity has resulted in combined heat and power plants operating in such a way as to not produce electricity at all in plants that use peat.

Product development activities in Vapo's new businesses, namely Vapo Carbons and Vapo Fibers, have seen promising progress, particularly with respect to market surveys. However, as designing the necessary production technology will take longer than anticipated, the decision on Vapo Carbons' potential investment in a production plant will be made in the spring of 2018 at the earliest.

The company is not aware of any significant risks related to legal disputes. There have been no other significant changes to Vapo Group's near-term business risks compared to the information presented in the previous financial statements.

Events after the review period

The company has reviewed its energy strategy in the fall and will start planning its operations on the basis of three business areas: Energy, Substrates and New Business. The aim is to built a management and organisational structure corresponding to these three business areas by the end of the current financial year.

Outlook for the remainder of the financial year, to 30 April 2018

Vapo Group is one of the world's largest producers of energy peat and environmental peat. The company holds an important role in ensuring Finland's self-sufficiency in energy and the security of supply. Political decisions have a substantial impact on the profitability of Vapo's business operations and its capacity to make investments.

The Group's turnover is expected to exceed the previous year's comparable turnover. If the heating season continues as normal, operating profit is expected to improved significantly from the previous year. The new businesses will not yet generate significant turnover during the current financial year.

Vantaa, 12 February 2018

Vapo Oy

Board of Directors

For further information, please contact:

Vesa Tempakka, Chief Executive Officer
tel. +358 20 790 5999

Antti Koivula, acting Chief Financial Officer
tel. +358 50 570 5589

Ahti Martikainen, Director, Communications and Public Affairs
tel. +358 20 790 5608

Consolidated key figures

MEUR	9-12/2017	9-12/2016	5-12/2017	5-12/2016	5/2016-4/2017
Turnover	132.6	130.5	227.9	218.4	392.1
Operating profit (EBIT)	9.4	8.5	-0.6	-0.5	20.0
% of turnover	7.1	6.5	-0.2	-0.2	5.1
Operating profit (EBIT) before impairments	9.4	8.6	-0.6	-0.3	22.4
% of turnover	7.1	6.6	-0.2	-0.1	5.7
Profit/loss for the period	7.0	4.6	-2.8	-6.5	8.1
Operating margin (EBITDA)	19.5	18.5	24.3	24.3	56.9
+/- Change in working capital	0.7	-12.8	7.6	-9.4	14.7
- Net investments	-8.9	-7.2	-18.8	1.3	1.6
Free cash flow before taxes	11.4	-1.5	13.1	16.1	73.2
Gross investments	-11.3	-13.9	-21.8	-26.2	-39.6
Return on invested capital % *			3.1	3.2	3.7
Return on invested capital % before impairments *			3.5	2.3	4.2
Return on equity % *			3.6	1.2	2.6
Balance sheet total			723.4	799.5	812.4
Shareholders’ equity			329.3	327.3	339.7
Interest-bearing net debt			266.2	316.8	269.6
Equity ratio % **			47.5	42.7	43.0
Interest-bearing net debt/operating margin			4.7	7.0	4.7
Gearing %			80.9	96.8	79.4
Personnel on average			777	799	773

*) Previous 12 months

**) In calculating the equity ratio, the capital loan on the balance sheet was calculated as shareholders’ equity

Interim Report Tables

The Interim Report of Vapo Oy was drawn up in accordance with IAS 34 Interim Financial Reporting standards.

Complying with IFRS standards in the preparation of an Interim Report requires Group management to make estimates and assumptions. These estimates and assumptions have a bearing on the value of balance sheet items, the disclosure of contingent assets and liabilities, and the amounts of reported revenues and expenses. Although the estimates are accurate to the best of management’s knowledge, actual results may differ from the estimates. The estimates used in this Interim Report are the same as those used in the financial statements for the financial year 1 May 2016–30 April 2017.

The information presented in this Interim Report is unaudited.

Consolidated statement of

MEUR	9-12/2017	9-12/2016	Change %	5-12/2017	5-12/2016	Change %	5/2016-4/2017
TURNOVER	132.6	130.5	1.6%	227.9	218.4	4.3%	392.1
Other operating income	2.9	6.3	-53.3%	4.6	8.8	-47.1%	11.0
Share of associates' results	1.4	0.9	43.7%	0	-0.5	-101.1%	1.1
Operating expenses	-116.0	-118.3	-2.0%	-208.3	-202.9	2.6%	-346.2
Depreciation	-11.5	-10.9	5.1%	-24.9	-24.0	3.5%	-35.6
Impairment	0	-0.1		0	-0.2		-2.4
OPERATING PROFIT	9.4	8.5	-10.8%	-0.6	-0.5	-17.3%	20.0
Financial income	2.6	2.5	3.7%	4.7	6.2	-23.9%	6.0
Financial expenses	-4.4	-5.1	-13.6%	-8.4	-12.8	-34.3%	-15.8
PROFIT/LOSS BEFORE TAXES	7.7	6.0	-28.5%	-4.3	-7.1	39.8%	10.2
Income taxes	-0.6	-1.4	-55.3%	1.5	0.6	137.7%	-2.0
PROFIT/LOSS FOR THE PERIOD	7.0	4.6	-54.3%	-2.8	-6.5	57.2%	8.1
OTHER COMPREHENSIVE INCOME ITEMS:							
Translation differences from foreign units	-0.8	-0.1		-0.4	-0.4		-0.8
Other comprehensive income items for the period after taxes **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD**	6.3	4.5		-3.2	-6.9		7.3
Distribution of profit for the period:							
To parent company shareholders	7.0	4.7		-2.8	-6.4		8.1
To non-controlling shareholders	0	-0.1		0	0		0
	7.0	4.6		-2.8	-6.5		8.1
Distribution of comprehensive income for the period:							
To parent company shareholders	6.3	4.5		-3.2	-6.9		7.4
To non-controlling shareholders	0	-0.1		0	0		0
	6.3	4.5		-3.2	-6.9		7.3
Earnings per share calculated from profits due to parent company shareholders							
Earnings/share, EUR	234	155		-93	-215		271
Average number of shares	30,000	30,000		30,000	30,000		30,000

Consolidated balance sheet

MEUR	31 Dec. 2017	31 Dec. 2016	30 Apr. 2017
ASSETS			
LONG-TERM ASSETS			
Intangible assets	13.4	11.7	12.9
Goodwill	5.3	6.0	5.4
Land and water areas	41.7	43.2	43.2
Buildings and structures	39.4	39.3	38.7
Machinery and equipment	124.1	125.4	122.0
Other tangible assets	224.9	222.8	221.6
Investments in progress	31.4	42.8	43.8
Investments	20.0	20.0	21.4
Long-term receivables	3.3	3.0	3.3
Deferred tax asset	0.2	0.1	0.2
LONG-TERM ASSETS	503.7	514.2	512.5
CURRENT ASSETS			
Inventories	131.7	156.1	123.5
Sales and other receivables	67.0	74.2	80.9
Cash on hand and in the bank	21.0	44.9	95.5
CURRENT ASSETS	219.7	275.2	299.9
AVAILABLE-FOR-SALE ASSETS	0	10.1	0
ASSETS	723.4	799.5	812.4
SHAREHOLDERS’ EQUITY AND LIABILITIES			
SHAREHOLDERS’ EQUITY			
Parent company shareholders’ share of shareholders’ equity	328.9	326.3	339.3
Non-controlling shareholders	0.4	1.0	0.4
SHAREHOLDERS’ EQUITY	329.3	327.3	339.7
LONG-TERM LIABILITIES			
Deferred tax liability	14.1	15.8	15.9
Long-term interest-bearing liabilities	230.5	266.8	241.1
Long-term non-interest-bearing liabilities	6.9	7.2	7.1
Long-term provisions	7.6	7.6	7.7
Pension liabilities	4.6	3.8	4.6
LONG-TERM LIABILITIES	263.8	301.2	276.5
CURRENT LIABILITIES			
Current interest-bearing liabilities	60.0	102.4	127.4
Current non-interest-bearing liabilities	70.3	67.1	68.8

CURRENT LIABILITIES	130.3	169.4	196.2
AVAILABLE-FOR-SALE INTEREST-BEARING AND NON-INTEREST-BEARING DEBT	0	1.6	0
SHAREHOLDERS' EQUITY AND LIABILITIES	723.4	799.5	812.4

Statement of change in Group shareholders' equity

MEUR	**Share capital**	**Other funds**	**Translation differences**	**Retained earnings**	**Hybrid bond**	**Total**	**Non-controlling shareholders**	**TOTAL**
SHAREHOLDERS' EQUITY 1 MAY	50.5	30.2	-3.0	211.7	50.0	339.3	0.4	339.7
Changes in shareholders' equity								
Dividend distribution *)	0	0	0	-7.3	0	-7.3	0	-7.3
Total comprehensive income for the			-0.4	-2.8		-3.2	0	-3.2
Other changes	0	0	0	0	0	0	0	0
SHAREHOLDERS' EQUITY 31 DEC	**50.5**	**30.2**	**-3.5**	**201.6**	**50.0**	**328.9**	**0.4**	**329.3**

*) The distribution of dividends includes EUR 3.3 million in hybrid bond interest.

MEUR	**Share capital**	**Other funds**	**Translation differences**	**Retained earnings**	**Hybrid bond**	**Total**	**Non-controlling shareholders**	**TOTAL**
SHAREHOLDERS' EQUITY 1 MAY 2016	50.5	30.1	-2.2	208.8	0	287.1	1.0	288.2
Changes in shareholders' equity								
Dividend distribution	0	0	0	-4.0	0	-4.0	0	-4.0
Total comprehensive income			-0.4	-6.4		-6.9	0	-6.9
Other changes	0	0.1	0	-0.1	50.0	50.0	0	50.0
SHAREHOLDERS' EQUITY 31 DEC	**50.5**	**30.2**	**-2.7**	**198.3**	**50.0**	**326.3**	**1.0**	**327.3**

Condensed consolidated cash flow statement

MEUR	**5-12/2017**	**5-12/2016**	**5/2016-4/2017**
Cash flow from operating activities			
Profit/loss for the period	-2.8	-6.5	8.1
Adjustments to the result for the period	24.9	24.9	44.5
Change in working capital	7.3	-9.7	11.1
Cash flow from operating activities before financial	**29.4**	**8.7**	**63.8**
Net financial expenses	-1.9	-2.0	-5.7
Taxes paid on operating activities	-0.9	-1.2	-1.5
Cash flow from operating activities	**26.6**	**5.5**	**56.6**
Cash flow from investing activities			
Investments in tangible and intangible assets	-22.0	-25.0	-37.9
Proceeds from disposal of tangible and intangible assets	5.1	33.3	34.8
Subsidiary shares bought	0	-1.2	-1.2
Subsidiary shares sold	0	0	3.5
Investments consolidated using the equity method	0	0	0
Proceeds from investments consolidated using the equity method	0	0	3.6
Other investments	0	0	0
Proceeds from disposal of other investments	0.1	7.7	7.7
Changes in loans receivable	0	1.1	5.1
Dividends received	1.0	2.6	2.6
Cash flow from investing activities	**-15.7**	**18.4**	**18.1**
Cash flow before financing	**10.8**	**23.9**	**74.7**
Cash flow from financing activities			
Change in long-term loans and other financing items	-77.9	15.6	15.4
Dividends paid	-7.3	-4.0	-4.0
Cash flow from financing activities	**-85.2**	**11.6**	**11.4**
Change in cash and cash equivalents	**-74.4**	**35.5**	**86.1**
Cash and cash equivalents opening balance	95.5	9.4	9.4
Change in cash and cash equivalents	-74.4	35.5	86.1
Effect of changes in exchange rates	-0.1	0	-0.2
Cash and cash equivalents at end of period	21.0	44.9	95.5

Notes to the interim report

SEGMENT DATA 5–12/2017

MEUR	Vapo Oy	Kekkilä Group	Neova AB	AS Tootsi Turvas	Other	Eliminations	Group total
External turnover	136.0	56.7	25.4	9.5	0.2	0.0	227.9
Internal turnover	4.6	1.7	0.4	0.5	0.1	-7.3	0.0
Turnover	**140.6**	**58.4**	**25.9**	**10.0**	**0.3**	**-7.3**	**227.9**
Segment operating profit/loss	-2.5	1.5	0.5	1.3	-0.5	-0.8	-0.6
Financial income and expenses	-2.2	0.1	-0.7	0.0	0.4	-1.4	-3.7
Appropriations and income taxes	1.6	-0.1	0.0	0.0	0.0	0.0	1.5
Result for the period	**-3.1**	**1.5**	**-0.1**	**1.3**	**-0.1**	**-2.2**	**-2.8**
Segment assets	743.5	89.1	85.7	50.9	9.0	-274.0	704.2
Shares in associated companies	0.9	0.0	17.8	0.0	0.0	0.6	19.3
Assets total	**744.4**	**89.1**	**103.4**	**50.9**	**9.0**	**-273.4**	**723.4**
Segment debt	480.0	61.5	86.3	6.1	6.6	-246.5	394.1
Debt total	**480.0**	**61.5**	**86.3**	**6.1**	**6.6**	**-246.5**	**394.1**
Investments	16.3	2.1	2.9	0.7	0.7	-0.8	21.9
Depreciation	-16.8	-3.6	-3.5	-1.1	-0.1	0.2	-24.9

SEGMENT DATA 5–12/2016

MEUR	Vapo Oy	Kekkilä Group	Neova AB	AS Tootsi Turvas	Other	Eliminations	Group total
External turnover	131.4	55.2	23.5	8.1	0.1	0.1	218.4
Internal turnover	1.1	0.9	0.1	0.4	0.1	-2.6	0
Turnover	**132.5**	**56.1**	**23.6**	**8.5**	**0.2**	**-2.5**	**218.4**
Segment operating profit/loss	1.3	-0.5	-1.0	0.4	-0.6	-0.1	-0.5
Financial income and expenses	-4.4	-0.8	1.4	0	-0.2	-2.6	-6.6
Appropriations and income taxes	2.6	0.2	0	0	0.1	-2.3	0.6
Result for the period	**-0.5**	**-1.2**	**0.4**	**0.4**	**-0.6**	**-5.0**	**-6.5**
Segment assets	821.7	95.9	90.3	48.4	9.4	-285.5	780.2
Shares in associates	8.0	0	18.3	0	0	-7.0	19.2
Assets total	**829.7**	**95.9**	**108.6**	**48.4**	**9.4**	**-292.5**	**799.5**
Segment debt	563.6	67.3	91.6	4.7	6.6	-261.7	472.1
Debt total	**563.6**	**67.3**	**91.6**	**4.7**	**6.6**	**-261.7**	**472.1**
Investments	20.1	1.8	2.3	1.9	0	0.1	26.2
Depreciation	-15.8	-4.2	-3.5	-1.1	0	0.3	-24.3

SEGMENT DATA 5/2016–4/2017

MEUR	Vapo Oy	Kekkilä Group	Neova AB	AS Tootsi Turvas	Other	Eliminations	Group total
External turnover	245.8	88.0	42.7	15.3	0.1	0	392.0
Internal turnover	1.6	1.5	0.5	0.7	0.2	-4.5	0
Turnover	**247.4**	**89.5**	**43.3**	**16.0**	**0.3**	**-4.4**	**392.1**
Segment operating profit/loss	13.2	-1.1	0.9	1.3	-0.8	6.4	20.0
Financial income and expenses	-5.7	-1.3	-0.1	0	-0.2	-2.6	-9.8
Appropriations and income taxes	-0.6	-0.2	0.4	0	0.2	-1.8	-2.0
Result for the period	**7.0**	**-2.6**	**1.2**	**1.4**	**-0.8**	**2.0**	**8.1**
Segment assets	833.9	104.0	85.2	48.8	9.2	-289.0	792.2
Shares in associated companies	0.9	0	18.2	0	0	1.6	20.7
Assets total	**834.8**	**104.0**	**103.4**	**48.8**	**9.2**	**-287.4**	**812.8**
Segment debt	560.4	76.3	85.7	5.9	6.6	-261.3	**473.6**
Debt total	**560.4**	**76.3**	**85.7**	**5.9**	**6.6**	**-261.3**	**473.6**
Investments	30.9	2.2	3.2	3.3	0	-0.1	39.6
Depreciation	22.9	6.7	5.0	1.5	0.1	-0.6	35.6

COLLATERAL, CONTINGENT COMMITMENTS AND OTHER LIABILITIES	31 Dec. 2017	31 Dec. 2016	30 Apr. 2017
EUR THOUSAND			
Collateral			
As collateral for own debt			
Mortgages	0	6,867	0
Liabilities for own commitments			
Mortgages			
Guarantees	20,549	22,056	20,948
Pledged collateral	0	4	4
Total	20,549	28,927	20,952
Financial leasing and other rental liabilities			
Financial leasing liabilities			
Due within the next one-year period	2,522	2,515	2,517
Due later	36,304	38,827	37,987
Other rental liabilities			
Due within the next one-year period	3,049	2,881	3,119
Due later	5,969	6,376	6,691
Total	47,844	50,599	50,314

The Group has leased machinery and equipment, vehicles and computer hardware. Most of the agreements concern leased production machinery and equipment, with a capital value of EUR 7 million on the closing date.
There are no agreements in the acquisition period. The duration of the leasing agreements is ten years.
The agreements include an option, but not an obligation, to continue the agreement after the original end date.

Guarantees given on behalf of others	31 Dec. 2017	31 Dec. 2016	30 Apr. 2017
Guarantees	0	0	0

Contingent commitments on behalf of associates			
Guarantees	0	2,000	0

DERIVATIVE CONTRACTS EUR THOUSAND	31 Dec. 2017 Nominal value Fair value	31 Dec. 2016 Nominal value Fair value	30 Apr. 2017 Nominal value Fair value
Interest rate derivatives	85,000	205,000	195,000
	-1,287	-1,324	-1,676
Currency derivatives	90,526	100,389	96,795
	-872	-912	312
Commodity derivatives	5,678	5,922	5,171
	190	-707	-812
Nominal value, total	181,204	311,311	296,966
Fair value, total	-1,969	-2,943	-2,176